

PROJECT OVERVIEW – OTTER CREEK PROJECT GREAT NORTHERN PROPERTIES LP

Overview: GNP controls fee mineral rights to more than 1.5 billion tons of sub-bituminous, compliance quality coal reserves at less than a 3:1 overburden-to-coal ratio in the last major undeveloped portion of the Powder River Basin (PRB) coal fields – the Otter Creek Area. The construction of a mine-mouth power plant and/or railroad into the area is expected to position these reserves to become the next generation of reserves developed in the PRB – potentially within the next decade.

Land Exchange: The mineral rights to the lands intervening GNP's checkerboard lands at Otter Creek were transferred from the Federal Government to the State of Montana in April 2002, thereby setting the stage for more simplified leasing and rapid development. GNP is encouraged by its negotiations with the Northern Cheyenne Tribe to gain their committed support for the development of the Otter Creek area, with an agreement expected in late 2002.

Recent Market & Feasibility Studies: October 1997 Resource Data International (RDI) study incorporating studies by RDI, NorWest Mine Services, ECS Mining Consultants, Northwest Research, Commercial Testing & Engineering, and TranSystems. A December 2000 Syndicated PRB Cost Study by Hill & Associates indicates that the deposit is likely to be the next mine developed in the PRB.

Reserves (see tabulation on following page): 2.6 billion tons of recoverable reserves at an average ratio of 3.08:1 on GNP and adjoining state and federal lands, including 1.5 billion tons at an average 2.46:1 ratio. The reserves are contained within three major lease blocks each with more than 500 million tons of recoverable reserves. The Knobloch coal seam averages 58 feet thick and commonly exceeds 70 feet thick throughout the project area.

Coal Quality: 8,750 Btu/lb., 0.45 lbs. SO₂/mmBtu, 5.0% ash, 26% moisture, and 2.0-9.5% Na₂O. Suitable for use in cyclone boilers and pulverized coal boilers designed or retrofitted to accommodate elevated sodium coal. Also suitable in blends to enhance precipitator performance.

Mine Costs: Average direct operating costs of \$2.32/ton over the course of 20 years for three 21 MMTPY mines at <2.5:1 ratios. Mine cash costs will be substantially less for early mine development in where overburden-to-coal ratios will be less than 2:1.

Mine Capital Costs: \$160 million for each 21 MMTPY dragline mine inclusive of the necessary infrastructure to load crushed coal into unit-trains.

Transportation: Track must be constructed, either 46 miles to connect with the BNSF spur line at Colstrip or 89 miles to connect with the BNSF main line at Miles City. East-bound rail rates are likely to be consistent with rates from other nearby mines (Absaloka, Big Sky, and Colstrip) and about \$1.75/ton less than rates from the Decker and Spring Creek mines.

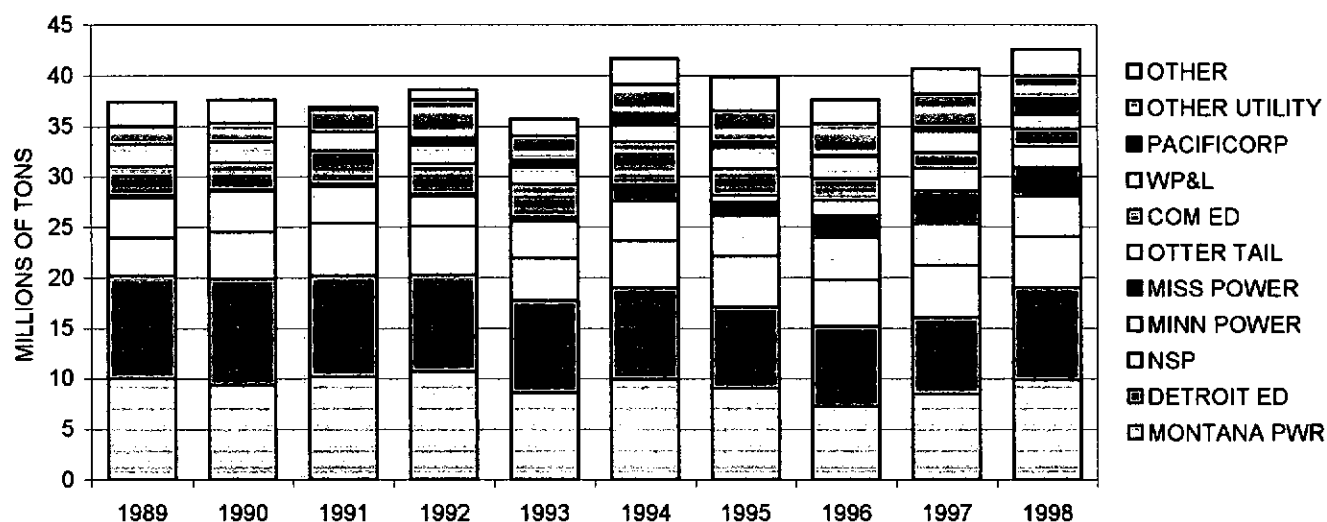
Markets (see figure on following page): Current market demand ranging from 35 to 40 MMTPY of coal from the Northern PRB coal fields has traditionally been with utility power plants located nearby (mine-mouth and local) and in states and provinces along the US/Canadian border. This market includes plants on the Great Lakes in the US and Canada that transship coal through the MERC Terminal at Superior, WI (served by BNSF). Rail-delivered coal from GNP's Otter Creek reserves is expected to compete in three primary northern-tier markets currently served by other Northern PRB mines (see following page). This market is expected to grow by more than 10 MMTPY over the next decade.

- Spring Creek/Decker Market: replacement of the 20+ MMTPY produced by these mines, as reserves are depleted and as contracts expire over time – particularly with Detroit Edison, Xcel/NSP, and Ontario Hydro.
- Absaloka/Big Sky/Colstrip Market: displacement of these non-compliance coals at unscrubbed plants with the super-compliance coals from GNP's holdings.
- Dakota Lignite Market: displacement of higher sulfur, high cost lignite at unscrubbed mine-mouth plants in North Dakota served by BNSF.
- Mine-Mouth Market: a mine-mouth project could be developed at Otter Creek to take advantage of low-cost coal and water rights in the Tongue River Reservoir that have been set aside for energy development. WAPA has studied connecting such a plant to the transmission grid at Colstrip.

OTTER CREEK RESERVES

CATEGORY	AREA A		AREA B		AREA C		TOTAL	
	TONS (MMT)	RATIO	TONS (MMT)	RATIO	TONS (MMT)	RATIO	TONS (MMT)	RATIO
INCREMENTAL BASIS								
<2:1 RATIO	185	1.90	195	1.80	57	1.80	436	1.84
<3:1 RATIO	392	2.64	542	2.75	152	2.76	1,087	2.71
<4:1 RATIO	230	3.80	321	3.82	278	3.73	829	3.78
<5:1 RATIO	68	4.09	108	3.98	113	4.79	288	4.33
TOTALS	874	2.90	1,166	3.00	600	3.50	2,641	3.08
CUMULATIVE BASIS								
<2:1 RATIO	185	1.90	195	1.80	57	1.80	436	1.84
<3:1 RATIO	577	2.40	737	2.50	209	2.50	1,523	2.46
<4:1 RATIO	806	2.80	1,059	2.90	487	3.20	2,352	2.93
<5:1 RATIO	874	2.90	1,166	3.00	600	3.50	2,641	3.08

NPRB COAL SALES AND PRODUCTION



GREAT NORTHERN PROPERTIES, L.P.

GNP TONGUE RIVER (OTTER CREEK) PROJECT

Great Northern Properties, L.P. is the successor-in-title to Meridian Minerals Company (BNSF Railroad) "checkerboarded" coal lands in Montana. GNP's Otter Creek project lies east and north of the Montco Project in Rosebud and Powder River counties, Montana.

Great Northern is conducting preliminary evaluations as to the feasibility of developing mining operations on various blocks of coal resources it owns in the Otter Creek area. As owner of the "checkerboarded" coal rights, Great Northern's interest is most likely in working with a major coal company for the development and production of any reserves determined to be economically recoverable, through either a lease or equity participation arrangement. Development is likely dependent on the construction of the Tongue River Railroad (late-2004 at the earliest, post-2006 probable), assuming funds can be raised for its construction. The reserve is also large enough to supply the fuel needs of a mine-mouth power plant.

GNP, the State of Montana and the federal government control fee and mineral rights to more than 2.6 billion tons of recoverable reserves at an average ratio of 3.08:1. About 1.5 billion tons of surface minable coal is available at less than a 2.46 ratio. Consol currently leases GNP's coal lands on the west side of Otter Creek, while GNP's lands on the eastern side of Otter Creek are not leased.

The State of Montana is obtaining control of the checkerboarded federal sections (each one square mile) through a land exchange, which is known as the Crown Butte Yellowstone gold lands exchange. Due to environmental pressures, gold mining in the Crown Butte area of Yellowstone National Park was forbidden by the federal government a few years back. Since the State of Montana would have received severance tax and royalty revenues from the gold sales, the State wants to be compensated. Hence, their interest in the Otter Creek area as an exchange alternative. It is our understanding that the exchange will occur, probably within the next year or two. These lands will then be leased out to highest bidders (the future developers of Otter Creek).

The Otter Creek reserve consists of three major blocks of coal, which are better in quality and lower in ratio than the Montco reserve. The Northeast Tract contains about 318 mmt of reserves with a life-of-mine ratio of 2.5:1. The Southeast Tract contains about 450 mmt of reserves with a 2.4:1 ratio and the West Tract contains about 492 mmt of reserves with a 2.4:1 ratio. Each tract could easily support a 15 mmt/yr coal mine.

STRIP RATIO: For our mine cost estimates for a 15 mmt/yr mine opening up in 2006, we assumed insitu ratios would range from 1.0-2.0:1 (average 1.4:1) during the first fifteen years of production.

RESERVES / CAPACITY: Three 300-492 mmt blocks of coal capable of supporting three 15 mmt/yr mines exist. The earliest a mine could open is in the 2004-2008 time frame.

TRANSPORTATION: Development of Otter Creek would be dependent on establishment of railroad access to the area. There are essentially three alternatives for this: (1) the Tongue River Railroad project, (2) a 46 mile spur extension of the existing BNSF rail line to the Colstrip area and (3) an 89 mile spur to connect with the BNSF main line at Miles City. Assuming STB approval in mid to late-2001, and upon a three year construction period, the earliest the TRR railroad can be built is in late 2004. Year 2006 is a more likely date for the earliest completion.

COAL QUALITY: Production would come from the Middle Knobloch and McKelvey seams which coalesce into a 70 foot combined thickness (at Montco the seams are split). Projected quality is 8,600-8,800 Btu/lb., 5-9% ash, 24-27% moisture, 0.2-0.4% sulfur, 0.4-0.8 lb. SO₂/mmBtu and a high Na₂O content.

GNP OTTER CREEK

OPERATING COMPANY: Great Northern Properties, L.P.
PARENT COMPANY(IES) Great Northern Properties, L.P.
REGION Tongue River
STATE Montana
COUNTY Rosebud & Powder River
MINE STATUS Reserve
MINE METHOD Surface
MINE STARTUP YEAR 2004-2008
MMT PRODUCED THROUGH 1997 N/A
ORIGINATING RAIL CARRIER(S) Tongue River (proposed)

PRODUCTION & CAPACITY (MMT)

2000 PRODUCTION 0
CURRENT CAPACITY 0
AIR QUALITY PERMIT 0
2000 PRODUCTIVITY (TPMH) 0

RESERVES (MMT)

RECOVERABLE TONS (000) 1,500
TONS-IN-PLACE (000) 1,500+
MAXIMUM MINING DEPTH N/A

COAL QUALITY

BTU/LB 8,750
% SULFUR 0.2-0.3
#S02/MMBTU 0.4-05
% ASH 5.00
%NA20 2.0-9.5%

2000 **Life-of-**
 Mine

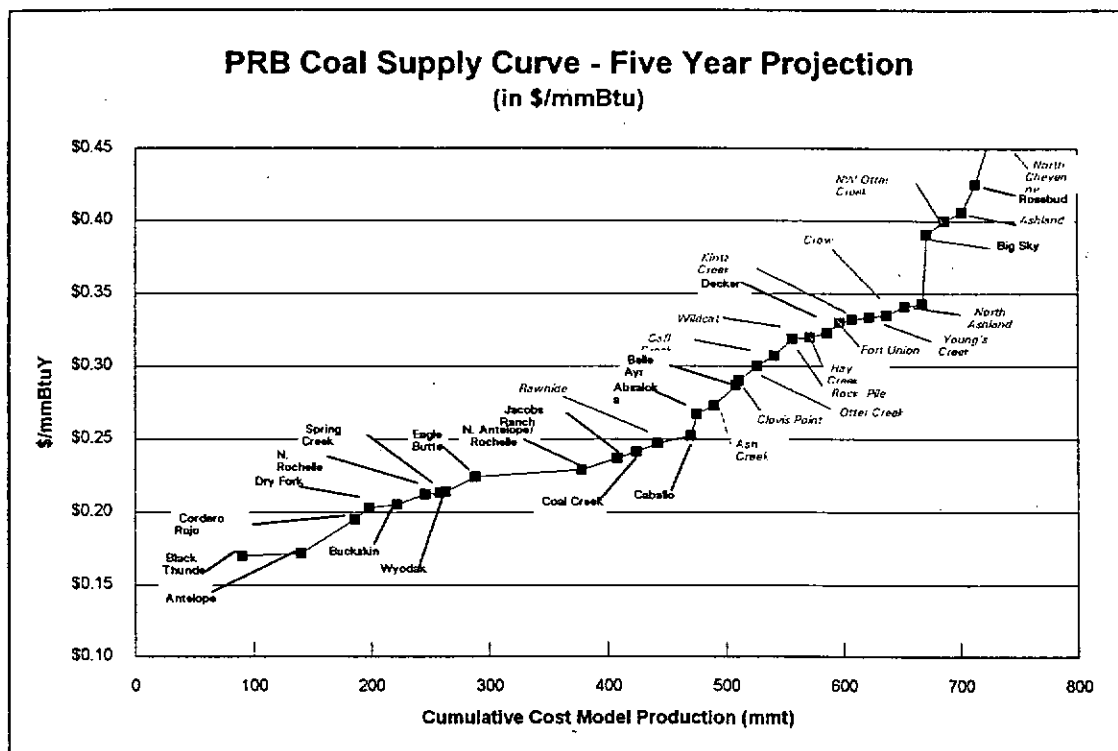
COST MODEL ASSUMPTIONS

MINE LIFE (YEARS)
PRODUCTION LEVEL (MMTPY) 15.00
RATIO (BCY/TON) 1.40
MINE PRODUCTIVITY (TONS/MAN-HOUR) 17.00
UNION
INITIAL CAPITAL ASSUMPTION 115.60

COST MODEL ESTIMATES (\$/TON)

DIRECT OPERATING COSTS 2.04
ROYALTIES AT CASH COST 0.47
SEVERANCE TAXES AT CASH COST 0.49
BLACK LUNG TAXES AT CASH COST 0.17
RECLAMATION TAXES AT CASH COST 0.35
PROPERTY TAXES AT CASH COST 0.26
TOTAL CASH COST 3.79
OTHER COSTS 0.25
CAPITAL RECOVERY 0.61
BREAKEVEN PRICE 5.24
10% DCFROR PRICE 6.17

FIGURE 3-7

**LEGEND:**

Operating Mines

Proposed Mines

MINE NAME	BTU	MMTPY	CUM. TONS	\$/MMBTU COSTS*
Black Thunder	8,742	90.0	90.0	0.170
Antelope	8,813	60.0	140.0	0.172
Cordero Rojo Complex	8,421	46.0	186.0	0.195
Dry Fork	8,215	12.0	198.0	0.203
Buckskin	8,343	24.0	222.0	0.206
N. Rochelle	8,680	24.0	246.0	0.212
Spring Creek	9,308	12.0	258.0	0.213
Wyodak	8,031	5.0	263.0	0.214
Eagle Butte	8,383	25.0	288.0	0.224
N. Antelope-Rochelle	8,822	90.0	378.0	0.229
Jacobs Ranch	8,656	30.0	408.0	0.237
Coal Creek	8,311	16.0	424.0	0.241
Rawhide	8,356	18.0	442.0	0.247
Caballo	8,471	28.0	470.0	0.252
Absaloka	8,773	5.0	475.0	0.267
Ash Creek	9,450	15.0	490.0	0.273
Belle Ayr	8,522	18.0	508.0	0.287
Clovis Point	8,100	3.0	511.0	0.290
Otter Creek	8,750	15.0	526.0	0.300
Calf Creek	8,200	15.0	541.0	0.307
Rock Pile	8,200	15.0	556.0	0.319
Wildcat	8,200	15.0	571.0	0.320
Hay Creek	8,200	15.0	586.0	0.323
Decker	9,521	11.0	597.0	0.330
Fort Union	8,100	10.0	607.0	0.332
Kintz Creek	8,400	15.0	622.0	0.334
Young's Creek	9,500	15.0	637.0	0.335
Crow	9,500	15.0	652.0	0.341
North Ashland	8,800	15.0	667.0	0.343
Big Sky	8,805	4.0	671.0	0.391
NVA Otter Creek	8,800	15.0	686.0	0.400
Ashland	8,800	15.0	701.0	0.406
Rosebud	8,461	12.0	713.0	0.425
N. Cheyenne	8,200	15.0	728.0	0.463

* Costs: For operating mines, costs are reported as cash costs. For proposed mines, costs are reported as "breakeven" costs

May 16, 2002

Governor Judy Martz
State of Montana
State Capitol
Helena, Montana 59601

Hon. John Morrison
Montana State Auditor
840 Helena Avenue
Helena, Montana 59601

Hon. Bob Brown
Montana Secretary of State
State Capitol, Room 260
Helena, Montana 59601

Hon. Linda McCulloch
Superintendent of Public Instruction
1227 11th Avenue, 2nd Floor
Helena, Montana 59601

Hon. Mike McGrath
Montana Attorney General
215 North Sanders, 3rd Floor
Helena, Montana 59601

Re: Otter Creek Coal Lands – Our Mutual Interests

Dear Board Members:

First of all, congratulations on affecting the Otter Creek Land Exchange. As you will remember from my testimony at the February 19, 2002 Land Board Meeting, Great Northern Properties Limited Partnership (GNP) is the owner of the intervening private coal lands included within the "Otter Creek Tracts" (see tabulation). As such, GNP and the State of Montana have shared interests in leasing their respective lands for ultimate development as we are both "stakeholders" in the area. Given our shared interests, I would like to present our concerns and ideas for your consideration in defining the State's leasing strategy.

	TONS (MILLIONS)				ACRES			
	TRACT 1	TRACT 2	TRACT 3	TOTAL	TRACT 1	TRACT 2	TRACT 3	TOTAL
STATE	129	258	247	634	2,560	4,340	3,170	10,070
GNP	190	234	192	615	3,200	3,810	2,800	9,810
TOTAL	318	492	439	1,249	5,760	8,150	5,970	19,880

	PERCENTAGE OF TONS				PERCENT OF ACRES			
	TRACT 1	TRACT 2	TRACT 3	TOTAL	TRACT 1	TRACT 2	TRACT 3	TOTAL
STATE	40%	52%	56%	51%	44%	53%	53%	51%
GNP	60%	48%	44%	49%	56%	47%	47%	49%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

By way of background, GNP is the nation's largest private coal land owner and, along with Western Pochontas Properties L.P. an affiliated partnership operating out of the East, we have considerable experience in the leasing of coal lands. In addition, we have recently commissioned an independent study of coal leasing activities and terms that applies to the Otter Creek area. Together, we would be willing to share our experience and information with the Land Board for our mutual use in laying out a strategy for competitive leasing and causing the development of Otter Creek.

Regarding our concerns, they include the following:

1. Mine development in the Otter Creek area will ultimately require the simultaneous control and use of State and GNP lands. As a consequence, lease conditions imposed by the state for its lands have the potential for impacting our adjoining private lands, and vice versa.
2. Leasing should involve the following sequential steps:
 - Definition of the reserve development potential for the subject lands to be leased, including drill data, coal quality, and an archeological inventory. GNP has substantial information in this regard, but more is required, particularly on the State's lands and particularly directed at archaeological issues.
 - A competitive lease offering by RFP (rather than by application or interest) to attract the maximum number of qualified bidders; the definition of "qualified" should not be too restrictive, so as to maximize competition among legitimate developers, but not too inclusive which might attract speculators; such a process should also include a "bonus bid" component;
 - Gradually (over time) increasing acreage rentals and ultimately, advanced royalty payments, thereby encouraging the steps necessary for development in a timely manner or lease forfeiture; and
 - Application of federal standards for royalties (i.e., 12.5% on the sales value/price of the coal).

I'd appreciate having the opportunity to discuss my thoughts with each of you individually and if appropriate, collectively. To this end, we've retained Leo Berry to help us in our efforts and in scheduling mutually acceptable meeting situations – possibly in your offices sometime during the week of May 27th. He will be contacting each of you for this purpose in the near future. Thank you for your consideration.

Sincerely,

G.E. Vaninetti
President








cc: Leo Berry
Jerry Schissler

OTTER CREEK COAL INTERESTS
Submitted by Great Northern Properties L.P.
June 6, 2002

1. State & GNP land positions are checkerboarded
 - Our interests should be aligned
 - Our activities affect each other's land values & development potential
2. Goal: Maximize value to "owners"
 - Leasing: right to investigate & develop – annual payments and bonus bid
 - Development: royalty payments on production – percentage of sales price
3. Lease Values
 - Development will not occur without determining technical and financial feasibility – a costly and time-consuming process
 - Value is affected by risk & uncertainty: reserve information, mining costs, permissibility, encumbrances, markets, transportation, etc.
4. Leasing Process
 - By Application vs. Competitive Offering Approaches, with minimum terms established
 - Qualified Bidders – fine balance between restrictive and inclusive, with goal of maximizing competition between legitimate developers
5. Typical Lease Components
 - Annual payments: acreage-based transitioning to advanced royalty (escalating)
 - Bonus bid: for existing mine lease-bypass situations, with limited application to speculative development situations
 - Production Royalties: 12.5% of coal value (Federal Basis)

MONTANA INITIATIVE COAL TRACTS

LEGEND

-  Private Land
-  Public Lands
(Adm. by BLM)
-  National Forest
-  Indian Lands
or Reservations
-  State Lands
-  Federal Coal
-  Proposed Exchange
Tracts

Scale 1:175,000

No Warranty is made by the BLM as to the accuracy, reliability, or completeness of this data for individual use or aggregate use with other data.

